

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, SEPTEMBER 25, 2008, 10:30 A.M.
Room W020, West Office Building, State Capitol Complex

	<u>Morning</u>	<u>Afternoon</u>
Members Present:	Sen. Greg Bell, Co-Chair Rep. Kory M. Holdaway, Co-Chair Sen. Brent Goodfellow Sen. Curtis Bramble Rep. Mel Brown Rep. David Clark Rep. Brad Daw Rep. John Dougall Rep. Curt Webb Rep. Chris Johnson Rep. Carol Spackman Moss Rep. LaWanna "Lou" Shurtliff	Sen. Greg Bell, Co-Chair Rep. Kory M. Holdaway, Co-Chair Sen. Brent Goodfellow Rep. Ron Bigelow Rep. Mel Brown Rep. David Clark Rep. Brad Daw Rep. John Dougall Rep. Curt Webb Rep. Chris Johnson Rep. Carol Spackman Moss Rep. LaWanna "Lou" Shurtliff
Members Absent:	Rep. Kay McIff Sen. Dan Eastman Rep. Ron Bigelow	Rep. Kay McIff Sen. Dan Eastman Sen. Curtis Bramble
Staff Present:	Spencer Pratt, Fiscal Manager Karen C. Allred, Secretary	
Morning Public Speakers Present:	Commissioner William A. Sederburg, State Board of Regents President Stan L. Albrecht, President, Utah State University Dr. Dave Pershing, Vice President, University of Utah	
Afternoon Public Speakers Present:	Commissioner William A. Sederburg, State Board of Regents President Stan L. Albrecht, President, Utah State University Dr. Richard White, President Utah College of Technology Dr. Michael Peterson, Executive Director, Utah Education Network Kimberly Henrie, Budget Officer, Salt Lake Community College	

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order—Committee Co-Chair Holdaway called the meeting to order at 11:00 A..M.
2. Budget Issues

Spencer Pratt distributed a handout to the committee and explained what has happened and what action was taken in the Executive Appropriations Meeting. There is a \$272.4 million ongoing shortfall, and a \$81.7 million one-time shortfall in revenue. By law, the State has to balance the books, therefore the Legislature needs to cut the budget.

The Higher Education Appropriations Subcommittee will be reviewing 3% ongoing budget reductions and an additional 1% ongoing to one-time revenue shift, with the 1% becoming an ongoing reduction to the FY 2010 base budget. An ongoing 3% budget reduction in Public Education is being considered, all of which will be back-filled with one-time sources for FY 2009 only. Public Education will be held harmless in 2009, but will enter FY 2010 with a 3% reduction. Building projects (back-filled with one-time sources for FY 2009 only), capital improvements, the savings through anticipated repeal of HB 359 and transportation (some of which may be back-filled with one-time sources) will also be reduced.

The proposed 3% on going cuts are all from the General and Education line items, but those cuts are based on the entire institutions' institutional budget. In addition, the one-time sources will also be from the General and Education Funds. Some of the cuts from other agencies will be back-filled with one-time sources and that is why the on-going is a little higher than 3%. The other agencies don't have sufficient funds for the hold harmless back-fill provisions.

Chair Holdaway questioned what the non-lapsing balances are for each one of the institutions. Spencer Pratt will get that information for the afternoon. Rep. Holdaway also questioned whether there had been discussion in terms of, rather than the 3% and the 1% back-fill with non-lapsing balances, to have 4% cut and let the institutions decide how to make cuts to the budget. Spencer Pratt responded that it certainly could be a possibility.

Sen. Goodfellow questioned why there is so much one time being cut for Higher Education. The response was that other areas of government being held harmless, for example Public Education, are taking an on-going cut, but not until FY2010 and they don't have the back-fill amount, so that money is being absorbed by other agencies. Sen. Goodfellow questioned, is Higher Education taking a 50% cut for the whole state. Rep. Holdaway responded that traditionally when the economy has struggled, the attendance to our institutions has increased and as such it creates a dilemma. This is the economic engine for investments. This is an investment more than it is expenditure.

Rep. Moss questioned whether the committee will know where the cuts are coming from, and that the committee should know the specifics of how it was administered. Chair Holdaway responded that the Higher Education Institutions know more about what to cut than the committee, and it would be left up to them, but they will report to the committee at the general session what areas were cut.

Commissioner Sederburg, State Board of Regents, distributed a handout to the committee, and expressed his appreciation for the committee's work and views the committee as an advocate for Higher Education. Comm. Sederberg introduced President Albrecht from USU; President Cynthia Bioteau from SLCC; Mike King, Interim President of CEU; President Rick White from UCAT; and mentioned that all the other schools are also represented.

The basic theme that all of the presidents share is that they recognize their responsibility of helping the shortfall, but are asking for flexibility in how they accomplish this. They have come up with 7 principles of how to best do this. (1) they are willing to do their part, however, they request that they not be asked to do more than their fair share. (2) Each institution has unique circumstances and challenges and request Presidents be given maximum flexibility with full accountability for reporting back on exactly how cuts are made. (3) Many of the non-lapsing funds are already obligated and use of any remaining balances to cover budget reduction should be included in the preceding request for flexibility.

Sen. Goodfellow questioned that the one-time dollars identified here are not the balance carry-over dollars. Spencer Pratt clarified that the institutions could use non-lapsing balances to cover the cut, or some other account that they have access to.

Comm. Sederburg continued that principle (4) is that because higher education budgets are composed primarily of personnel costs, the majority of funds are already committed. These cuts will really affect people. The Presidents feel that the magnitude of these cuts will affect the employment base. (5) The institutions are experiencing enrollment increases and the budget cuts will make it increasingly difficult to accommodate this growth. (6) The economy of the future depends upon higher education. The work force that is affected by the recession is coming back to school, and new jobs are in the high-tech sector. (7) As the economy recovers, the Legislature needs to recognize that Higher Education has been willing to help and would like to be remembered through increased opportunities for critical budget requests.

Rep. Clark questioned and wanted clarification on the \$25 million that represents a 3% on going cut and the 3% straight across the board. Rep. Holdaway explained that the dilemma is the one-time funding and the need for Higher Education to cover one-time funding for other committees that don't have that revenue. Spencer Pratt clarified further that he looked at a percentage of the on-going appropriation and applied the numbers that are needed for the one-time short fall and applied that to each agency's budget. Rep. Clark questioned whether the one-time represented is a percentage of non-lapsing balances, or a percentage of something else and just taken out of non-lapsing. Spencer Pratt said that it is a portion of their operating budget calculated with the non-lapsing balance as a percentage of the total non-lapsing balances available. Chair Holdaway reiterated the possibility of a straight 4% cut, instead of a 3% cut and a 1% backfill. Sen. Bramble mentioned that in talking with representatives from various institutions, their request was a straight 4% cut. Sen. Bramble questioned the total of all non-lapsing funds for the institutions. Spencer Pratt mentioned that based on the budget documents for the current fiscal year from the institutions, he took the total non-lapsing projections and used the calculations to figure out these numbers. He will bring that information to the afternoon session of this meeting. Pres. Albrecht mentioned that if asked to take this cut from his universities non-lapsing funds, they wouldn't be able to do it, he would have to take it from personnel. Comm. Sederburg said that there is confusion over the non-lapsing funds, they are not reserved funds just sitting there, they were dollars in a checking account of a certain date, and a lot of those dollars are currently gone. The institutions would prefer to be told what they need to furnish, and leave it up to the Presidents to decide where to take them from. Sen. Bramble mentioned that this discussion supports the flat percent and let the institutions decide where it comes from.

Rep. Dougall questioned Spencer Pratt concerning the 3% across the board cut and where it was coming from. Spencer Pratt's answer was that the 3% was identified to the Education and General budget, so that the institutions could have flexibility.

Sen. Goodfellow questioned if 3% is \$25 million of ongoing, what would the number be at 4%. The response was about \$32 million. Sen. Goodfellow further questioned that if the institutions were willing to cut 4% would that solve their portion of the shortage. Rep. Holdaway responded that the problem comes with the back fill that Higher Education is being asked to cut for other committees and doesn't know if that is the right direction for the Legislature to take. Sen. Goodfellow feels that it is a punishment for Higher Education institutions because they managed their funds well.

Pres. Albrecht reiterated that if you begin with the assumption that other entities will be held harmless because they lack the ability to back fill, we are dealing with false numbers if we assume that

Higher Education has the ability to back fill. Amounts on July 1st are very different than on Sept. 25th. If the institutions need to take a 4% cut, give them the 4% cut and let them decide where to take it. Don't assume that they have uncommitted funds available that can be used for the back fill. If they are given this size of a one-time cut, now that they are in a new semester, it would have to be personnel that is cut, because they don't have the dollars there to otherwise take that size of a cut.

Comm. Sederburg wanted to point out a difference between Higher Education and Public Education that has been misleading. Their total FTE's went up 5,000 students that are state budget related. The average cost of educating a student on their campus is about \$6,000 per student. In essence, they are absorbing a \$30 million cost within Higher Education, to educate these additional 5,000 FTE students. There is no weighted pupil average or formula to pick up the additional students at the various institutions. The committee needs to be aware that Higher Education institutions are absorbing that \$30 million extra responsibility for the citizens of the State of Utah.

Rep. Dougall wanted to mention that the money for the budget of Higher Education is going to Public Education. We have to remember that K-12 feeds the pipeline into Higher Education. When we are talking about how we are going to balance the budget, we have the constitutional mandate for K-12, which is different than our obligation to higher education.

Chair Holdaway wanted to point out, that historically when there was a need to decrease the budget, there was a need to increase tuition. He is concerned about the handout they received in their caucus, in prohibiting Higher Education from raising tuition. Raising tuition this year would not happen, but in the future it may have to be a way to balance the budget. Sen. Bramble pointed out that the intent of the handout, according to the language "based on this budget adjustment", is that during these revenue adjustments, they didn't want Higher Education to turn around and place that burden on the backs of the students. That doesn't mean that in the normal course the institutions can't raise tuition, but based on what we are doing here today, we want to look at non-lapsing balances and those areas where we can trim budgets. Chair Holdaway agreed with what Sen. Bramble said. Chair Holdaway suggested again of going to a flat 4% for higher education and let them absorb it how they feel appropriate. Sen. Bramble suggested that it be a combination because Higher Education is part of an overall State budget. There are non-lapsing funds that are already committed, some that need to be committed, and some non-lapsing funds that can to be used for back fill if necessary. There is no agency or department, program or line item, except for Public Education, that will be exempt from being looked at and considered in the consequences. Chair Holdaway expressed that the issue of holding Public Education harmless be re-evaluated.

Comm. Sederburg spoke for the College Presidents that there is no plan to have mid-semester tuition increases. It is difficult to do, the budget is in place, and this is not going to be a problem for them.

Rep. Shurtliff commented that as we prepared the budget last year, there were some special programs put in place that have not happened yet that should be looked at and possibly postponed a year that would free up some money. Specifically there were a couple in Public Education that need to be looked at and consider postponing.

Rep. Clark commented that in FY 07-08 Higher Education had a very good year, last year was leaner, and now that Higher Education is faced with cuts, how would the institutions administer this 4% cut. Pres. Albrecht responded that HB185 created opportunities for partnerships, hired 40 new faculty for 23 new degree programs available to students around the state, and those funds have been spent. In scaling back, they will have to look at reduction in personnel, and eliminate or postpone programs across the

campuses. Comm. Sederburg commented that each campus is different, their issues are different, and each President looks at his budget specifically to see how they can adjust and manage their budget more efficiently, and then come back to the committee and report how the budget reductions were conducted on the individual campuses. Rep. Clark feels that in the past, Higher Education was maybe more abused because of their efficiency, but when the State Government came out of the reductions, they were more efficient. Now we have to find \$215 million of one-time money, and it doesn't look like it can happen without dipping into Higher Education's non-lapsing budget. Comm. Sederburg's response was that all the variables have to be looked at and applied as fairly as possible. President Albrecht said that he understands the magnitude of the problem, but he urged the committee to look at the real numbers in the non-lapsing funds, see what numbers are actually there, and look at what we can do as opposed to starting with a very artificial number that is simply not reflective of where they are. Spencer Pratt commented on Rep. Clark's point that the \$41 million is being compared to the \$81 million. The \$81 million is the short fall, but considering all of the hold harmless provisions there is really \$215-\$220 million in one-time funds in the state wide whole. Comparing the \$41 million to the \$220 million gives a more realistic picture of what is happening. The calculations were based on the on-going appropriations so the \$41 million reflects a portion of the on-going appropriation and is identified as one-time cuts that need to be made to hit that \$220 million hole. One of the possibilities is to use the non-lapsing balance. If the institutions want to take the reduction and not have it identified as back filled with non-lapsing, that is not a problem. The cuts will have to be absorbed one way or another, and is not pleasant to do.

Comm. Sederburg commented that the non-lapsing debate in one-time dollars gives the concept and feel that there are reserve dollars that are stuck around different accounts at college campuses, and we can reach in and grab those reserve dollars. He commented that Utah is so tightly managed and audited, that the carry-over funds from one year to the next are about the extent of flexible dollars that a college president has access to. The Legislature needs to understand there are not pots of money laying around, that can be accumulated. If you look at \$50 million which is the July 1, carry over and check book balance they happen to have, you are collecting about 80% of that, and saying that is our share to turn back. That is not a very fair nor academically sound way of looking at this issue. We have to get current numbers. Rep. Holdaway asked what is the possibility of getting those current numbers in the next few hours.

Dr. Dave Pershing, Vice President of the University of Utah, responded to Rep. Holdaway that he thinks they can provide that information. He also commented that he favors what has been said that a percent cut is decided, and then the individual institutions deal with that cut. A 3% base budget cut and a 4.9% one-time cut is what is being proposed, at least in his case. The faculty will see that Higher Education got more than their fair cut. He would prefer a 3% base and 4% one-time for them to deal with in the best way they can. But if it is more than the rest of State Government is taking, it will be really hard to sell. It will look like Utah doesn't value Higher Education. That will be really hard to explain to all of the brilliant new faculty that have been hired. Everyone realizes the budget has to be balanced, and they are willing to do their part, but don't want to do more than their share.

Sen. Goodfellow made the comment that he sat on the Capital Facilities committee for many years. They put into place a specific dollar per square foot for every building they have for Alterations, Repair and Improvements, which has added up over the years. From this experience he is asking the question "Are we going to take care of our buildings, and not take care of the students?" Maybe we can take more out of the budget for repairing buildings, than take it out of personnel. Rep. Holdaway asked everyone to think about that possibility over the lunch break.

MOTION: Rep. Dougall moved to recess and reconvene at 2:30 P.M.

The motion passed unanimously with Sen. Bramble absent for the vote.

The meeting recessed at 12:10 P.M.

Co-Chair Holdaway resumed the meeting at 2:42 P.M.

Chair Holdaway questioned Comm. Sederburg if someone from his office had the accurate non-lapsing balance numbers. Comm. Sederburg has someone working on it, and the committee will come back to him when they are available.

Richard White, President of the Utah College of Applied Technology, introduced Brian Foisy, Vice President of Finance, Utah College of Applied Technology. Pres. White feels a commitment to do their share in helping the State with its financial challenge and ask, as far as possible, that the budget cut be as fair as possible. UCAT is facing enrollment growth and budget cuts exacerbate the pain experienced when there are more students on the campus than are funded. According to their calculations, UCAT, as a whole, for FY 09 counting the 3% ongoing and the one-time proposed budget cut, would have to cut their budget by 8%. The Individual Campuses would be cut approximately 7%, the Central Administrative Office of UCAT would be cut 18%, and its Equipment budget would be cut 43% for FY 09 – they are hoping that was an accident. Part of the challenge in addressing these one-time cuts for FY 09, is the assumption that the non-lapsing balances may help take care of the budget cuts. Pres. White gave an example of the reality of one of the campuses, Ogden-Weber's proposed one-time cut is \$438,000. They had a non-lapsing balance of \$98,000, therefore the proposed cut is 450% more than the non-lapsing balance. In the case of Uintah Basin, the proposed cut is \$213,000, their non-lapsing balance was \$44,000, that is five times or 500% more than their lapsing balance. Salt Lake-Tooele, the proposed cut is \$131,000, their non-lapsing balance was actually a negative \$17,000, in other words the proposal is 9 times more than what they had at the end of the year.

Chair Holdaway questioned Pres. White whether non-lapsing balances actually exist. Pres. White said that there was some, but that the proposed cuts far exceeds what there was in these balances since July 1. And the sister institutions have expressed that many of the balances as of July 1 have been committed, so to come up with this kind of money when it didn't exist in the first place, will be challenging for these campuses.

Pres. White expressed another unique challenge to UCAT. If Public Education is held harmless, he assumes that the intent is to help provide opportunities to elementary and secondary students. He reminded the committee that 38% of the membership hours generated by UCAT students are generated by high school students. Pres. White stated that 38% of the UCAT membership hours are provided to high school students. He suggested that this portion of the UCAT budget should be included in the "hold harmless" scenario that is being applied to public education.

Rep. Holdaway questioned whether some of the classes that UCAT offers relative to its role admission, may in fact not be in line with the role admission, for example the UBSCT remediation classes, the scrap booking classes, and classes such as these. Are public education students that are taking these classes subsidized wholly by the state, or are they paying for those classes? Pres. White responded that some course are being requested by the school districts and the UCAT offers some of those courses, and some of those courses are self-support courses. Pres. White is requesting the hold-harmless provision for those courses that are clearly career and technical programs. Most of the non career and technical programs the Chair Holdaway spoke of, are self-support courses, where the participants cover the cost of the courses.

Pres. White's request would be that budget cuts to UCAT be for those funds appropriated for serving post secondary students. Pres. White expressed appreciation for the committee's willingness to consider this option in as much as UCAT would like to continue serving high school students as the committee would like them to.

Sen. Goodfellow asked Pres. White if he had the totals for the other UCAT institutions. Brian Foisy said that he would email them to the committee.

Dr. Michael Peterson, Executive Director, Utah Education Network, summarized what he thinks the major consequence will be of the reduction of the UEN base budget. He believes that it will require them to delay or eliminate contracts with local telecommunication providers. UEN has contracted with those providers to do network improvements in the current year at 105 elementary and charter schools. This will also result in a loss of \$2 of federal e-rate funding for each dollar of state appropriations that will tie into these projects. He thinks there will also be a negative affect on the economic development of communities around the state because the contracts they will have to reduce or eliminate are with local telecommunication providers and it will reduce the revenue those providers have.

Dr. Peterson described some of the things that UEN has already done with the funding received for the current budget year, so those revenues are simply not available for them to cut. The first project completed was an upgrade of their network backbone. They contracted with Quest communication that was a remarkably effective contract. It required them to increase their contract by \$200,000 of ongoing funding and there was an additional \$200,000 of one-time funding associated with that. It allowed them to increase 5 of the 10 major circuits from a 1 gigabit to a 10 gigabit. The committee was referred to a handout that was distributed, which shows that their traffic has been doubling about every 18 months to 2 years. The 10 gigabit gives them ample head room so that as their growth continues to increase over the next few years, they will be able to support the growth. The second project was moving the University of Utah to the Blackboard Vista course management system. The third project is to provide the disaster recovery improvements for many of the universities and college, as well as some school districts at the Richfield Data Center.

In the last Legislative session, UEN received 1.2 million dollars to begin phase 1 of a multi-phase project to increase network capacity at elementary and charter schools. They plan to begin these projects as soon as federal e-rate approval was given. That has not happened yet, so those projects have not been initiated. Pres. Peterson would like to make the point that UEN supports higher education and public education. Based on analysis that the Fiscal Analysts and the Governors Office of Budget and Planning agreed with them on 2 years ago, 80% of the UEN budget serves Public Education and 20% services Higher Education. If possible, they would hope that 80% of their budget would be held harmless as being treated as part of the public education. He would encourage the committee to think of that today.

Dr. Peterson referred the committee to the handout. Table 2 shows that a 3% budget cut to UEN is \$674,500. One of the ways they will accommodate that cut is to scale back the elementary and charter school contract. The problem is that it has a ripple effect, because it affects federal funds. By cutting \$674,500 it affects \$1,349,000 in federal e-rate funds. UEN has identified about \$225,000 in budget cuts that would be able to reduce the number of elementary and charter schools they would have to put on hold. They would not fill a couple of vacant staff positions, would curtail out of state travel, and would identify cuts they would have to make in their current expense budget. UEN is prepared to make those cuts, but a cut of 3% will force them to have to make reductions in the number of elementary and charter school that they can proceed with.

Dr. Peterson referred them to the last page of the handout. This page identifies the list of elementary and charter schools that they will have to make cuts in. Which school to eliminate will be dependent upon the situation for the individual telcos and where it makes the most sense to proceed and where it makes the most sense to cut. They will be obviously disappointed if they have to make these reductions in the elementary schools, but will have to if they have this cut.

Spencer Pratt has prepared and distributed a handout of non-lapsing balances as of July 1. Spencer Pratt explained how he arrived at the calculations. He identified that amount needed for the one-time cut is based on the on-going appropriation. Five percent of the total appropriation (\$766,958,600) is \$38.3 million.

Rep. Johnson questioned why we are at 5%; she thought we were dealing with 4%. Spencer Pratt responded that the targeted amount for one-time reduction is 5%, the 3% and 4% are for the on-going.

Spencer Pratt said that 5% of the on-going appropriation is the amount needed to fill the deficit. They are taking it on the on-going appropriation to get a number that will fill the shortfall in the one-time funds. The amount that the Utah System of Higher Education will need to reduce to get that 5% is \$38 million. The distribution of that \$38 million, because it is a one-time cut, he utilized the balances that were reported to him as estimated number that were reported to him over the last few months. Those reported estimates are listed on the handout. This methodology utilizes the estimated non-lapsing balances. Some will say that was an estimated number and is not a good number, but it was the best number he had. Some will wonder why he used the non-lapsing balances as a factor. It is an option to distribute the \$38.3 million. Another method would be to refigure the distribution based on the on-going appropriation, which would even things out a little more. UCAT was actually figured using on-going appropriation. In an effort to minimize harm to the campuses of UCAT, the method also recaptured 3/4 of the appropriation for unused equipment budget. Spencer Pratt added up the total on-going appropriation, divided it by the total UCAT appropriation and multiplied it by the net of \$2.8 million and the \$675,000 identified as an area for reduction resulting in a total of \$2.176 million.

Sen. Goodfellow questioned why the final total was \$40.5 billion on one sheet, and \$41.5 million on the other sheet. Spencer Pratt responded that on the sheet he just handed out, UEN and Medical Education were not included, which would boost it up to the \$41.5 million.

Comm. Sederburg returned with numbers on the non-lapsing balances. Comm. Sederburg explained to the committee that if you took a snapshot today like they did July 1, there would be millions of dollars in these accounts because the tuition has just arrived. The staff may like to think of that as unused money, but it is budgeted and accounted for. He went to the universities and asked what the "unencumbered" balance that you have sitting in a checking account this afternoon. Comm. Sederburg reported that there is quite a variety in these numbers from institution to institution. He would like the committee to arrive at a number that you want cut from the higher education system, and let them manage how to get that number out of the system. If he were to pick out a number, it wouldn't be accurate tomorrow. The bigger point that he would like to make is that they do not accept the \$38 or \$41 million dollars as their fair share. He thinks a fair share would be considerably lower. The first he heard of this amount was this morning when staff distributed the material. He would like to reiterate he would like to be part of the solution, not part of the problem, but feels like the institutions are being penalized. The recommendation from staff is an 8.1% reduction for their institutions, the media is playing like they are cutting it 3% or 4%. For some institutions it is over 10% reduction for this fiscal year. The dollars are largely encumbered and are budgeted. Comm. Sederburg hopes the committee understands that it is just not good government to drain the flexible dollars away from institutions at a time when accrediting

bodies are saying you need 5% of your total budget in unrestricted revenue to deal with emergencies or special needs, when you have enrollment increases, and when you have legislative mandates.

Rep. Clark questioned Comm. Sederburg on the fact that \$38 or \$41 million is out of bounds, what is an inbounds number. Comm. Sederburg feels that it would be awfully premature to lay down a number, and respectfully rejects the setting of a limit.

Rep. Shurtliff questioned why we take 3% of the on-going money, but start doing creative financing on the one-time money. Why don't we just take 3% on the one-time money. Spencer Pratt responded that whether the non-lapsing balances were there or not did not affect the decision to take 5%. The fact that most of the institutions have non-lapsing balances mitigated the severity of that so that they were able to absorb some of it with their non-lapsing balances. If they had all had zero non-balancing it would not have changed the magnitude of the reduction. Rep. Shurtliff questioned if there was an explanation of taking the 5% rather than the 3%. Spencer Pratt responded that those were the instructions given to his office to get enough funds to fill that hole. Rep. Shurtliff wondered if it was because of the backfill, and felt that if 3% wasn't enough to backfill, maybe they should look at some other sources.

Chair Holdaway commented that the fact that Public Education is being held harmless hurts Higher Education, and when you look at the new programs coming online, such as salary incentives based on performance, he wonders if we need to be having a discussion in our individual caucuses, as to whether or not that should remain. He feels that it needs to be pulled back, as well as other programs. They have been asked to come in with a 3% and a 1% backfill with the one-time money of \$41 million as well. Chair Holdaway feels that the \$41 million is beyond the institutions' ability to absorb. As a committee, we need to take a position at a different level other than the \$41 million.

Rep. Johnson shares Chair Holdaway's perspective on the Public Education side. In the review of her own caucus, some of the programs have not started yet, and don't have employees hired. She wishes that committee were meeting right now. She feels that they have funds that could be cut, and she wanted to express frustration over that. She feels sorry for employees in Higher Education that might be losing their jobs. Rep. Johnson feels that Public Education could be meeting and evaluating where they could be contributing more and still be held harmless. She also agrees that this \$41 million is an unacceptable amount and we need to find something a little more fair.

MOTION: Sen. Goodfellow moved that we accept the analyst's recommendation on the ongoing money to cut Higher Education 3% and that would be \$25,485,900.

Rep. Daw questioned the motion. There are 2 scenarios, the itemized 3% cut and the other is we simply cut 3% and give the Presidents the flexibility to cut where they want to. Sen. Goodfellow said that the 3% on the ongoing does give them flexibility.

Rep. Clark clarified that the 3% recommendation was ongoing, and on the handout there was an additional 1% ongoing cut and a 1% revenue shift, so it is a total of a 4% cut with a 1% backfill. The motion before us covers the \$25 million, but doesn't cover the 1%. Does Spencer Pratt have a recommendation for the 1% additional amount? Spencer Pratt has a handout that identifies the additional 1% which he distributed at that time. Rep. Clark wondered if the 1% is a broad cut or a line item cut, and what is the right way to handle.

Sen. Bell commented that he had a conversation with Rep. Bigelow and he wanted to make sure that the motion was a 4% cut, with 1% backfill out of lapsing or one-time funds. The total budget cut is 3%,

and next year the budget starts 3% less than this year. Spencer Pratt mentioned that this year would be 3% and a 4% cut starting next year. Sen. Bell agreed with that correction.

Spencer Pratt referred to the handout just distributed and pointed out that on the additional 1% cut options are from the General Fund and Education Funds on-going funds. The additional 1% hold harmless options are replaced with General Fund and Education Funds one-time. The budget would be cut with this additional 1% on-going, but in FY 2009. In FY 09 there is no net effect, but it reduces the ongoing base budget one more percent, so FY 2010 will be down 4% total. This year the net effect is only 3% on the ongoing side.

Rep. Webb asked if we are approving a 4% cut now for the base budget next year and we are backfilling 1% just for this year.

SUBSTITUTE MOTION: Rep. Dougal moved that we approve a 3% ongoing cut with a 1% one time back fill.

Sen. Goodfellow responded that this motion is the same, just adding the 1% back fill.

Rep. Daw questioned that it seems we are taking a large portion of money from Higher Education and then putting 1% back into Higher Education. It seems to him that we are taking from Bill to pay Bill. Chair Holdaway commented that the reason for this is to set the base budget for next year. The base budget for next year will be set 4% lower so the institutions know where they are. It is recognizing where we are today, backfilling it with 1% and then starting the next year with a 4% reduction.

The motion passed unanimously with Rep. Bigelow absent for the vote.

MOTION: Sen. Bell moved that cut in one time funds be reduced from \$41 million to \$25 million across the board for USHE, UCAT, UEN and MEP.

Sen. Goodfellow questioned what percentage is being cut, if there is a 3% one time and 3% on-going. Chair Holdaway said it would be a 6% cut for Higher Education. Chair Holdaway also hopes that each of the committee members go to their individual caucuses and help them understand the struggle that Higher Education, as well as other committees have, when we hold Public Education harmless. Perhaps the new programs that Public Education has not started are not more important than what we have going on.

Comm. Sederburg expressed appreciation to the committee and knows that they are advocates for Higher Education. The proposal that is on the table will mean significant reduction next semester, because this semester has already started. Also, as the next day unfolds please be open to reducing the \$24 million further, as other committee issues are discussed, and to keep flexible as the final plan is put together.

Rep. Shurtliff wanted clarification that we are cutting 6%, but the on-going funds are not intermingled with the one-time funds, so it shouldn't be a 6%. Spencer Pratt explained that whether it is one-time or on-going it looks the same, even though it is kept separate for accounting purposes. The institutions will be losing 6% over all. It will net out to a 3% reduction in on-going, and a 3% reduction in one-time.

Rep. Daw further questioned that if you have a million dollars, and its divided into two parts, 500,000 on-going, and 500,000 of one-time, its not 6% of the million, it is only 3% of the million. He asked if the 4% was a cut of on-going and the other \$25 million is 3% of the one-time. Spencer Pratt explained that it's a figure equal to 3% of their ongoing base. It doesn't matter how much was appropriated, this action would cause them to take 3% of one-time money and revert it back to the State, and 3% of their on-going money and revert it back to the State. This question was discussed further by Sen. Bell and Rep. Clark.

Kimberly Henrie was asked if she agrees. She explained that there is a fixed amount of money coming out of the budget, and also a one-time cut that is also coming out of the budget. The 4% value will only impact us by 3% because of the 1% back fill. The one time cut comes out of the on-going money so we will lose 6% of the total operating budget for FY09. Rep. Holdaway commented that these are going to be institutional decisions as to where they cuts will come from.

Comm. Sederburg commented that the committee should consider endorsing Sen. Bell's bill to give flexibility across the lines. He also expressed thanks to Spencer Pratt and the work he has put into this difficult spot.

Rep. Shurtliff questioned that if we are cutting 6% are we cutting more than other committees? Rep. Shurtliff said Higher Education shouldn't be cut more than other committees, and Chair Holdaway said it will be anyway, and wonders if Spencer Pratt could get a spread sheet to the committee on what each of the committees cuts were so they can reference that.

Rep. Dougall commented that taking that position and Public Education being held harmless means that they won't be cutting anything. It is an interesting position.

The motion passed with Sen. Bell and Reps. Holdaway, Brown, Clark, Daw, Dougall, Webb, Moss and Shurtliff voting in favor, and Sen. Goodfellow and Rep. Johnson voting against, and Rep. Bigelow absent for the vote.

Chair Holdaway thanked the commissioner and the institutions for being willing to tighten the belt, and the commissioner has his commitment to try to reduce the \$25 million, and hopefully the rest of the committee as well.

MOTION: Rep. Clark moved to adjourn

The motion passed unanimously with Rep. Bigelow absent for the vote.

Committee Co-Chair Holdaway adjourned the meeting at 3:57 P.M.

Minutes were reported by Karen C. Allred, Secretary.